

Message Text

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LIMDIS JAKARTA FOR ASST SECRETARY HOLBROOKE

E.O. 11652: GDS

TAGS: OREP EEWT PDIP CH US

SUBJECT: EA/PRCM WEEKLY STATUS REPORT

1. CODEL WOLFF (LIMITED OFFICIAL USE)

DICK HART MET WITH ED PALMER OF CONGRESSMAN WOLFF'S STAFF THIS WEEK TO DISCUSS PRELIMINARILY THEIR UPCOMING TRIP TO THE PRC. CURRENT PLANS CALL FOR A 16-MEMBER DELEGATION: CONGRESSMEN WOLFF, BURKE, FOUNTAIN, GUYER, DANIELSON, DELAGRAZA, AND WINN, THEIR WIVES, PALMER, AND ONE ADDITIONAL HOUSE INTERNATIONAL AFFAIRS COMMITTEE STAFFER. THEY PLAN TO DEPART WASHINGTON JUNE 29, STOPOVER IN HONOLULU AND GUAM, AND ARRIVE IN SHANGHAI JULY 3, GOING ON TO PEKING FOR
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FOURTH OF JULY CELEBRATIONS. THE CODEL HAS TOLD PRCLO THAT THEY WISH TO VISIT SHANGHAI, PEKING, PAOT'OU, SIAN AND CANTON BEFORE EXITING VIA HONG KONG JULY 13. WE HAVE ALREADY PROVIDED SOME BRIEFING MATERIALS AND A SUGGESTED PRE-TRIP READING LIST AND ARE WORKING CLOSELY WITH PALMER.

2. CH'AI TSE-MIN APPOINTMENT AS PRCLO CHIEF

(LIMITED OFFICIAL USE)

ON MAY 3, AMBASSADOR NEWSOM FORMALLY CONVEYED TO HAN HSU OUR ACCEPTANCE OF CH'AI TSE-MIN AS THE NEW PRCLO CHIEF. HAN DID NOT PROVIDE ANY INFORMATION ON THE TIMING OF CHAI'S ARRIVAL IN WASHINGTON. WE HAVE TOLD PRCLO THAT WE WILL NOT ANNOUNCE THE APPOINTMENT BUT WOULD CONFIRM IT IF ASKED.

3. HOUSE BANKING COMMITTEE APPROVES AUCOIN AMENDMENT
(LIMITED OFFICIAL USE)

ON MONDAY, THE HOUSE BANKING COMMITTEE APPROVED THE AUCOIN AMENDMENT DESIGNED TO FACILITATE EXTENSION OF EXIMBANK CREDITS TO THE PRC. THE MARGIN OF VICTORY, 20-15, WAS NARROWER THAN AUCOIN HAD EXPECTED, AS REPUBLICANS DISGRUNTLED BY THE COMMITTEE'S EARLIER REFUSAL TO WATER DOWN A PROVISION DENYING EXIM FACILITIES TO SOUTH AFRICA TURNED ON AUCOIN'S PRO-PRC PROVISION. AUCOIN'S AMENDMENT STILL MUST CLEAR THE HOUSE FLOOR, THEN A HOUSE-SENATE CONFERENCE COMMITTEE. THE SENATE BANKING COMMITTEE, MEANWHILE, HAS APPROVED ON A STRAIGHT PARTY VOTE THE STEVENSON AMENDMENT, WHICH MIGHT MAKE THE PRC INELIGIBLE ON HUMAN RIGHTS GROUNDS FOR EXIM CREDITS. SINCE THE PRC CANNOT BENEFIT FROM EXIM LOANS BECAUSE OF THE JACKSON-VANIK PROVISION DENYING CREDITS TO COUNTRIES THAT RESTRICT EMIGRATION, THE STEVENSON AMENDMENT WOULD SIMPLY CONTINUE THE CURRENT

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RESTRICTION ON EXIM ASSISTANCE TO CHINA.

ON A DIFFERENT FRONT, THE ADMINISTRATION APPARENTLY INTENDS TO OPPOSE YET ANOTHER AUCOIN MINI-INITIATIVE--HIS ATTEMPT TO LEGISLATE LOWER SILK TARIFFS FOR THE PRC. THOUGH WE WOULD PREFER THE ADMINISTRATION REMAIN NEUTRAL, COMMERCE INSISTS THAT THE LOWER TARIFF WILL DAMAGE DOMESTIC SILK PRODUCERS.

4. IBM COMPUTER SALES (CONFIDENTIAL)

IBM IS MOVING AHEAD ON TWO IMPORTANT COMPUTER SALES INVOLVING THE PRC. THE INTER-AGENCY OPERATING COMMITTEE HAS GIVEN APPROVAL TO IBM'S \$4 MILLION SALE OF TWIN COMPUTERS TO THE BANK OF CHINA IN HONG KONG. THE APPROVAL COMES AT A WELCOME TIME IN VIEW OF RECURRING CHINESE COMPLAINTS ABOUT OUR RESTRICTIONS ON COMPUTER SALES. IBM'S OTHER PENDING COMPUTER SALE TO THE PRC -- AT THE SHENYANG BLOWER WORKS -- ALSO APPEARS TO BE NEARING RESOLUTION, BUT WILL DEPEND ON PRC ACCEPTANCE OF IBM WORDING ON SAFEGUARDS AND VISITATION RIGHTS REQUIRED TO MEET US AND COCOM CONDITIONS.

CHRISTOPHER

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